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Message Text

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PAGE 01 ROME 20159 102021Z
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SUBJ: ANDREOTTI VISIT TO US: POSSIBLE FOREIGN FINANCING

1. /SUMMARY/. TURIN'S LA STAMPA CARRIED BRIEF INTERVIEW WITH PRIME MINISTER ANDREOTTI CONCERNING NATURE OF FINANCIAL COMMITMENT WHICH ANDREOTTI RECEIVED DURING HIS US VISIT, PROGRESS OF IMF NEGOTIATIONS, AND STATUS OF OECD SAFETY NET. /END SUMMARY/.

2. JUST ARRIVED FROM THE US,ANDREOTTI MADE SOME BRIEF STATEMENTS TO JOURNALISTS (LA STAMPA, 10 DECEMBER) CONCERNING THE RESULTS OF THE TRIP. IN RESPONSE TO A QUESTION ON THE PRECISE NATURE OF THE MUCH-REPORTED INDICATION OF US FINANCIAL ASSISTANCE, ANDREOTTI SAID, " THANK GOD WE SUCCEEDED IN OBTAINING A CONCRETE COMMITMENT. WE DID NOT GO TO ASK FOR MONEY, BUT TO HAVE ESTABLISHED AN INTERNATIONAL MECHANISM THAT COULD SAFEGUARD OUR CURRENCY FROM SPECULATIVE ATTACK. LET'S SAY THAT IT IS SOMETHING LIKE INSURANCE AGAINST HAIL." AS TO WHETHER THIS MECHANISM INVOLVED CENTRAL BANKS, ANDREOTTI SAID, "YES, THE ASSUMPTION IS THAT A CONSORTIUM OF (CENTRAL) BANKS WOULD
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PAGE 02 ROME 20159 102021Z

COORDINATE ACTION IN DEFENSE OF THE LIRA."

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3. A "TECHNICAL EXPERT" IN ANDREOTTI'S PARTY MADE THE FOLLOWING ADDITIONAL POINTS: (A) SUPPORT FOR THE LIRA,IN CASE OF SPECULATIVE ATTACK FOLLOWING REMOVAL OF THE 7 PERCENT EXCHANGE TAX, CAN COME FROM CENTRAL BANK SWAPS, THE MOST IMPORTANT OF WHICH IS THAT WITH THE FEDERAL RESERVE. (B) A FEDERAL RESERVE COMMITMENT ALREADY EXISTS. AS FOR OTHER CENTRAL BANKS, THERE IS THE POSSIBILITY OF SWAPS. (C) CHAIRMAN BURNS CLEARLY STATED THAT THE GUARANTEE OF OBTAINING SWAPS FROM OTHER CENTRAL BANKS IS LINKED TO THE CONCLUSION OF A DLR530 MILLION LOAN FROM THE IMF. (D) REGARDING THE IMF LOAN, ANDREOTTI HAD LENGHTY DISCUSSIONS WITH FUND REPRESENTATIVES. THE REMAINING DIFFICULTY TO RESOLVE IS THE REDUCTION OF UNIT LABOR COSTS SUFFICIENT TO LOWER THE PROJECTED RATE OF INFLATION IN 1977 TO 15 PERCENT FROM 20 PERCENT. (E) IN ADDITION TO CENTRAL BANK COOPERATION IN DEFENSE OF THE LIRA, THE STATUS OF THE (OECD) SAFETY NET" WAS ALSO DISCUSSED IN WASHINGTON. BEFORE LEAVING OFFICE, THE FORD ADMINISTRATION WILL RE-RESENT IT TO CONGRESS, AND THE DEMOCRATS HAVE COMMITTED THEMSELVES TO SUPPORT IT. FOR ITALY, THE "SAFETY NET" COULD MEAN A MEDIUM-TERM LOAN OF DLR1.3 BILLION AT A REDUCED RATE OF INTEREST.BEAUDRY

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